

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Pricing Proceeding)	DOCKET NO. UT-960369
for Interconnection, Unbundled)	
Elements, Transport and Termination,)	
and Resale)	
)	

In the Matter of the Pricing Proceeding)	DOCKET NO. UT-960370
for Interconnection, Unbundled)	
Elements, Transport and Termination,)	
and Resale for U S WEST)	
COMMUNICATIONS, INC.)	

In the Matter of the Pricing Proceeding)	DOCKET NO. UT-960371
for Interconnection, Unbundled)	
Elementns, Transport and Termination,)	
and Resale for GTE NORTHWEST)	
INCORPORATED)	

DIRECT TESTIMONY

OF

MEADE C. SEAMAN

March 27, 1997

WUTC DOCKET NO. UT-960369
EXHIBIT NO. 781
ADMIT W/D REJECT

GTE NORTHWEST INCORPORATED

DIRECT TESTIMONY OF

MEADE C. SEAMAN

WUTC UT-960369, 960370, 960371

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Meade C. Seaman. My business address is 600 Hidden Ridge,
3 Irving, Texas, 75038.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 I am employed as Director -- Local Competition/Interconnection Program Office
6 for GTE Telephone Operations, which has telephone operations in 28 states.

7 **Q. PLEASE BRIEFLY DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**
8 **EXPERIENCE IN THE TELECOMMUNICATIONS INDUSTRY.**

9 A. I graduated from the University of South Florida in 1976 with a Bachelor's
10 degree in Accounting. In 1988, I graduated from Indiana Wesleyan University
11 with an M.B.A.

12 I began my career in the telecommunications industry in 1976 with
13 General Telephone Company of Florida as a Business Relations Assistant. In
14 1983, I joined GTE Service Corporation in Irving, Texas, as Staff Manager--
15 Interchanged Service Compensation. In 1985, I was named Director--
16 Regulatory and Industry Affairs, where I was responsible for the development
17 and coordination of all non-ratecase related proceedings. In October 1994 I

1 became Director-Demand Analysis and Forecasting, where my responsibilities
2 included forecasting of all line-related and usage-related services. I was
3 recently appointed to my current position as Director--Local
4 Competition/Interconnection Program Management Office.

5 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

6 **A.** To provide a general policy discussion of the factors this Commission must
7 consider in this docket.

8 **Q. WHAT IS THE OBJECTIVE OF PHASE 1 OF THIS PROCEEDING?**

9 **A.** In this first phase of this proceeding, the Commission is considering the costing
10 methodologies it will use in the second phase to set prices and otherwise
11 provide GTE Northwest ("GTE") and other incumbent local exchange carriers
12 ("ILECs") compensation for providing interconnection, network elements, resale
13 and other services under the Telecommunications Act of 1996 ("the Act"). While
14 the testimony of GTE's other witnesses in this phase concentrate on various
15 types of costs and costing methodologies, the Commission and the parties must
16 bear in mind the ultimate pricing and cost recovery objectives.

17 **Q. WHAT MUST THE OBJECTIVES OF PHASE 2 OF THIS PROCEEDING BE?**

18 **A.** The overall objective must be to compensate the ILECs for their actual costs.
19 This objective includes compensating the ILECs for their actual costs of
20 providing interconnection, network elements, resale and other services under
21 sections 251 and 252 of the Act. It also necessarily includes assuring the ILECs
22 an opportunity to recover their overall actual costs of providing
23 telecommunications services in Washington. Setting insufficient prices or cost

1 recovery mechanisms for services provided pursuant to the Act would be in
2 derogation of the Commission's obligation to provide ILECs the opportunity to
3 recover their total actual costs. The advent of full competition in the
4 telecommunications market presents special challenges to the Commission in
5 fulfilling its duties. In this proceeding, the Commission must set an effective
6 overall approach to the cost recovery issue that is consistent with the
7 competitive regime to which the telecommunications industry is rapidly
8 transitioning.

9 **Q. WHAT TYPES OF COSTS MUST THE COMMISSION CONSIDER?**

10 A. As I stated, the ultimate objective must be full recovery of actual costs. Actual
11 costs include: (1) GTE's forward-looking costs, which encompass GTE's Total
12 Element Long Run Incremental Costs ("TELRICs"), common costs, non-recurring
13 costs and implementation costs; (2) GTE's stranded historical costs; and (3) the
14 subsidy costs GTE must bear. GTE's forward-looking costs are discussed in the
15 testimony of GTE witness David G. Tucek. GTE's stranded historical costs and
16 subsidy costs are discussed in the testimony of Michael Williams. While GTE
17 supports long run incremental costing methodologies as a tool for setting prices,
18 such costs do not fully represent the ILECs' actual costs and cannot, therefore,
19 be the sole determinant of pricing and cost recovery decisions. Therefore, in
20 Phase 2, the Commission must allow GTE to present evidence of all the costs
21 described above.

22 In managing the transition to competition, the Commission must recognize
23 that statutes and regulatory policies have imposed, and continue to impose,

1 substantial costs on incumbent local exchange carriers like GTE. Specifically,
2 (1) a portion of GTE's prudently invested historical costs has become stranded
3 by reason of the Commission's prior policies and the termination of GTE's sole
4 provider status; and (2) GTE continues to bear the costs of subsidizing below-
5 cost universal service for residential customers. The mechanism(s) to recover
6 these "regulatory costs" must be established at the same time any new carrier is
7 allowed to enter the local exchange market and purchase interconnection and
8 network elements from GTE.

9 While the Commission has several options to provide for the recovery of
10 these costs, it cannot deal with the transition to a competitive market on a
11 piecemeal basis. These costs can be recovered in several different ways, and
12 GTE is committed to cooperating with the Commission in fashioning interim and
13 longer term recovery mechanisms that are fair to consumers, incumbent carriers,
14 and new entrants alike. At the same time, GTE continues to advocate here (and
15 in other forums) that competitors not be allowed to enter the local exchange
16 market before the appropriate mechanisms are in place to ensure that new
17 entrants and end-users pay their fair share of these costs. As described below,
18 what is needed immediately is a single proceeding where the Commission
19 addresses the whole picture at once -- recovery of GTE's stranded costs, rate
20 rebalancing, universal service, as well as pricing for interconnection, network
21 elements, resale and other services that the Act requires GTE to provide to its
22 competitors.

1 Q. PLEASE DESCRIBE THE FIRST CATEGORY OF "COSTS" THAT
2 REGULATION HAS IMPOSED UPON GTE AND HOW SUCH "COSTS" WERE
3 IMPOSED.

4 A. As a result of prior regulatory policies coupled with the advent of local
5 competition, GTE will have substantial stranded historical costs that must be
6 recovered. Throughout the years, universal service and quality requirements
7 have been imposed upon incumbent local telephone companies, such as GTE,
8 causing them to invest billions of dollars in their networks to build, maintain, and
9 expand a world-class telephone system.

10 Under the prior, single provider arrangement, the Commission's
11 depreciation policies did not deprive GTE of the opportunity eventually to
12 recover and earn a fair rate of return on all of its prudently made investments.
13 That was so because the assumed continuation of the single provider structure
14 would have enabled GTE reliably to recover from ratepayers GTE's investments
15 in its network assets over a specified depreciation period. In other words, while
16 the Commission's regulatory policies may have controlled GTE's recovery of its
17 prudently made investments, because of the continuation of the single provider
18 structure, the Commission's policies did not deprive GTE of the opportunity
19 eventually to recover its investment.

20 Q. DID THE INTRODUCTION OF COMPETITION AFFECT GTE'S ABILITY TO
21 RECOVER ITS INVESTMENTS?

22 A. Yes. The termination of the single provider structure by the introduction of
23 competition changed the situation dramatically. Specifically, it stranded a

1 portion of GTE's prudently made historical investment. Under well-established
2 principles of constitutional law, GTE is entitled to recover and earn a fair rate of
3 return on its stranded historical investment.

4 **Q. WHAT ARE THE COMMISSION'S OPTIONS TO ENSURE THAT GTE**
5 **RECOVERS ITS STRANDED HISTORICAL INVESTMENT COSTS AS**
6 **REQUIRED BY THE CONSTITUTION?**

7 A. In my view, the Commission has at least four options, which can operate in a
8 variety of combinations, to allow GTE to recover stranded investment.

9 First, the State of Washington can directly compensate GTE as the
10 Company's historical costs become stranded, thereby spreading the costs of the
11 Commission's prior policies across all citizens of the State.

12 Second, the Commission can establish an end-user surcharge. Under
13 this approach, all customers of local telephone service within GTE's service area
14 would share on an equitable basis the costs of compensating GTE for its
15 stranded historical investment. This approach would also be fair and
16 straightforward and would fully compensate GTE. By and large, the same
17 consumers that previously benefited from GTE's historical investment would
18 equitably share the burden of compensating GTE for these costs.

19 Third, the Commission can establish a carrier surcharge to compensate
20 GTE for the amount of its stranded historical investment. Under this approach,
21 all new entrants into the market for local telephone service would be required to
22 contribute on a fair and equitable basis (based on their sales of service) to
23 compensate GTE.

1 Fourth, the Commission may set the rates for unbundled network
2 elements at prices that include its stranded historical costs. Section 252(d) of
3 the Telecommunications Act mandates that the prices for interconnection and
4 unbundled network elements compensate GTE for all its "cost[s]." Unless and
5 until the Commission puts in place one of the three mechanisms described
6 above (or a sufficient substitute) to compensate GTE for its stranded historical
7 costs, the amount of that investment remains a "cost" to GTE for which it must be
8 compensated in the price of interconnection and network elements.

9 **Q. ARE THERE ANY BENEFITS IN FOLLOWING THE FOURTH APPROACH --**
10 **SETTING INTERIM RATES FOR INTERCONNECTION AND UNBUNDLED**
11 **ELEMENTS AT LEVELS THAT INCLUDE THE COSTS OF GTE'S STRANDED**
12 **INVESTMENT?**

13 A. Yes. Allowing GTE to recover as much of its stranded historical costs as it can
14 through the price of interconnection and network elements has the benefit of
15 reducing (but not eliminating) the magnitude of any carrier or end-user
16 surcharge that the Commission would otherwise be required to establish, or
17 reducing the magnitude of direct compensation that the State must issue to GTE
18 for these stranded costs.

19 **Q. WILL THE FOURTH APPROACH ALLOW GTE TO FULLY RECOVER ITS**
20 **STRANDED INVESTMENT?**

21 A. No. While GTE might be able to recover some of its stranded historical
22 investment through the price of interconnection and unbundled network
23 elements, market constraints will limit GTE's ability fully to recover its stranded

1 investment solely through the price of network elements. GTE must recover its
2 remaining stranded investment through a competitive transition charge.

3 Nonetheless, allowing GTE to set prices for interconnection and network
4 elements to reflect its unrecovered historical costs will have the beneficial effect
5 of reducing the State's obligation to compensate GTE by other means.

6 **Q. WHAT EFFECT DOES THE FCC'S TELRIC PRICING METHODOLOGY AND**
7 **THE PRICING METHODOLOGY ADOPTED BY THIS COMMISSION IN THE**
8 **AT&T AND MCI ARBITRATIONS HAVE ON GTE'S ABILITY TO RECOVER ITS**
9 **STRANDED COSTS?**

10 A. Both the FCC pricing methodology and pricing methodology resulting from the
11 arbitrations would prevent GTE from attempting to recover any of its stranded
12 historical costs through the price of interconnection and network elements.

13 Unless changed in this docket, these approaches will only serve to
14 effectively increase the magnitude of the State's liability for GTE's stranded
15 costs and the State's obligation to compensate GTE for them by other means. In
16 effect, the pricing methodology advocated by the FCC (excluding all historical
17 costs) unduly ties the State's hands, requiring it to shoulder the full burden and
18 liability of compensating GTE for its stranded historical costs by other means. In
19 short, it deprives the State of Washington of one of its options for reducing the
20 magnitude of the stranded investment for which it must compensate GTE.

21 **Q. PLEASE SUMMARIZE THIS SECTION OF YOUR TESTIMONY.**

22 A. The Commission must compensate GTE for its stranded historical costs. The
23 Commission has several options -- including an end-user or carrier surcharge.

1 However, unless and until the Commission first establishes a specific and
2 sufficient mechanism for GTE to recover its stranded historical costs, these costs
3 remain a "cost" to GTE and therefore must be reflected in the price of
4 interconnection and network elements.

5 **Q. PLEASE DESCRIBE THE SECOND COST CATEGORY THAT REGULATION**
6 **HAS IMPOSED UPON GTE?**

7 **A.** The second cost that regulation has imposed on GTE is the very substantial cost
8 of subsidizing below-cost basic service to certain -- particularly residential and
9 rural -- customers in order to promote universal service. The Commission has
10 traditionally required, and continues to require, GTE to provide residential
11 service at rates that, in most instances, do not cover the Company's actual
12 costs. The discrepancy between GTE's costs and its rates is especially
13 pronounced in certain high-cost areas, in which GTE's residential rate is many
14 times below its costs. At the same time, because, under the prior regulatory
15 arrangement, GTE was -- and was expected to remain -- the sole provider of
16 local service, GTE was allowed to recover its costs on a network-wide basis by
17 providing other services at rates in excess of the direct costs. In this way, for
18 example, sales to business customers and other high-volume customers
19 subsidized the provision of below-cost basic service to residential, and
20 particularly rural residential, customers. In addition, with the benefit of the single
21 provider regime, GTE was able to price toll, switched access, and vertical
22 services to make up the money that it lost from providing service below cost to
23 residential customers. In effect, under the prior single provider regime, the

1 Commission treated GTE as a tax-collector: the Commission required GTE to
2 take money from high-value, low-cost customers (like businesses) to subsidize
3 affordable service to all, including high-cost residential customers.

4 **Q. WHAT EFFECT DOES COMPETITION HAVE ON THIS CROSS-**
5 **SUBSIDIZATION PRACTICE?**

6 A. The elimination of the legal barriers for entry into the market for the provision of
7 local telephone service undermines the foundation of this system of
8 intracustomer and intraservice subsidies. GTE's new competitors do not have
9 any effective obligation to serve as the carrier of last resort or otherwise provide
10 universal service.

11 **Q. DOES THE LACK OF AN EFFECTIVE OBLIGATION TO SERVE AS THE**
12 **CARRIER OF LAST RESORT BENEFIT POTENTIAL GTE COMPETITORS?**

13 A. Yes. Instead of producing service to all customers, competitors can be expected
14 to target only high-value customers (or high-margin services) by offering them
15 prices below the prices currently charged by GTE, which include substantial
16 amounts to subsidize universal service to residential customers. Facilities-
17 based competitors present this threat because their costs of providing service to
18 high-value customers (or providing high-margin services) are necessarily much
19 lower than GTE's prescribed rates, which include the cost of maintaining the
20 intracustomer subsidies. The threat of such "cream-skimming" also comes from
21 new entrants who provide service by purchasing unbundled network elements
22 from GTE, unless the price of such network elements are set to reflect the

1 contribution that GTE's high-valued customers are making toward the provision
2 of affordable basic residential service.

3 **Q. HOW CAN THE COMMISSION ADDRESS THE "CREAM-SKIMMING" ISSUE?**

4 **A.** Again, as with historical costs, the Commission has a number of different options
5 that can operate in tandem to recover the costs of subsidizing universal service
6 in a fair and lawful way during the transition from monopoly regulation to a fully
7 competitive market.

8 First, the Commission can eliminate, or very significantly reduce, the
9 system of intracustomer and intraservice subsidies by removing any restrictions
10 on the retail rates that GTE charges for local service. Congress has mandated
11 competition in the market for local telephone service, and there can be no true
12 competition unless the incumbent local exchange provider is allowed to compete
13 fairly by charging the rates that the market will bear. By removing any retail
14 price restrictions from GTE, the Commission will allow GTE to eliminate or
15 significantly reduce the system of intracustomer and intraservice subsidies.

16 Second, short of providing GTE with complete pricing flexibility, the
17 Commission can rebalance rates to reduce (or perhaps eliminate) existing
18 subsidies to a level that the Commission believes is more in the public interest.
19 By rebalancing rates, the Commission can lower the amount by which certain
20 customers and services must contribute above the direct costs of providing
21 service in order to subsidize residential service. In other words, by rebalancing
22 rates, the Commission can reduce the subsidy costs that must be borne by GTE
23 and other carriers.

1 Third, once the Commission decides how much it wishes to rebalance
2 rates, it must establish a state universal service fund, or some other mechanism,
3 that requires all carriers to contribute on a competitively neutral basis towards
4 the funds necessary to subsidize below-cost residential service. Such a
5 mechanism is required by section 254(f) of the Telecommunications Act, which
6 requires that “[e]very telecommunications carrier that provides intrastate
7 telecommunications services shall contribute, on an equitable and
8 nondiscriminatory basis, in a manner determined by the State to the preservation
9 of universal service in that State.” Such a universal service fund will spread the
10 costs of subsidizing universal service across all carriers – incumbents and new
11 entrants alike. This fund must be sufficient to cover all the costs of subsidizing
12 residential service that is not provided for by the federal universal service fund.

13 Fourth, again as with historical costs, unless and until the costs of
14 providing the funds to subsidize residential service are eliminated (by rate
15 rebalancing) or otherwise provided for (through a universal service fund), the
16 rates for interconnection and network elements must include the costs of those
17 subsidies.¹ Again, until the subsidies are removed or otherwise provided for,
18 they remain a real “cost” to incumbents like GTE, and therefore must be taken
19 into account under section 252(d) of the Telecommunications Act in setting the
20 prices for interconnection and unbundled network elements.

¹ As discussed below, to the extent these costs cannot be recovered in rates, GTE is entitled to recover them through a competitive transition charge or some other mechanism.

1 Q. IS THERE ANYTHING THE COMMISSION CANNOT DO WHEN ADDRESSING
2 THE SUBSIDY PROBLEM?

3 A. Yes. This Commission cannot continue to require GTE to bear the obligation of
4 providing below-cost residential service while allowing new entrants to cream-
5 skim GTE's high value customers (and high-margin services) that are the source
6 of funding for subsidizing below-cost basic residential service. To do so would
7 transform GTE from a tax collector into a deep pocket, in violation of both the
8 Telecommunications Act and the Takings Clause of the Constitution. Rather,
9 the Telecommunications Act prohibits the Commission from allowing any new
10 carrier to enter the local exchange market without requiring that carrier to
11 contribute fairly toward the provision of universal service through a universal
12 service fund, through the price of unbundled network elements, or some
13 combination of both.

14 Q. HOW WOULD PRICING UNBUNDLED ELEMENTS AT TELRIC PRICES
15 AFFECT THE CROSS-SUBSIDIZATION ISSUE?

16 A. Allowing new entrants to purchase unbundled elements from ILECs at TELRIC
17 prices (i.e., prices set at TELRIC and some portion of common costs) that do
18 not, by definition fully cover the ILECs' actual costs -- including all unrecovered
19 subsidy costs -- would merely fatten the pockets of new entrants at the expense
20 of GTE's shareholders and GTE's ability to continue to provide universal service.
21 It would also directly undermine universal service. A new entrant could sell to a
22 high-value business customer only slightly below GTE's current price, which is
23 inflated by the contribution necessary to maintain and subsidize universal

1 service. The new entrant then pockets the difference between the price just
2 below GTE's current rates and the forward-looking TELRIC cost of serving that
3 customer, and GTE is deprived of the ability to fund its continuing universal
4 service obligations. Allowing new entrants to purchase interconnection and
5 network elements at TELRIC prices also greatly increases the magnitude of the
6 universal service fund that will be required to maintain universal service. Once
7 again, the adoption of TELRIC prices for network elements simply ties the
8 State's hands by limiting the ways in which it can provide for the recovery of
9 subsidy costs.

10 **THE NEED FOR A PROCEEDING THAT ADDRESSES ALL**
11 **THESE ISSUES TOGETHER, AND THE REQUIREMENT THAT**
12 **INTERIM RATES COMPENSATE GTE FOR ALL ITS COSTS.**
13

14 **Q. IS IT PRUDENT FOR THIS COMMISSION TO FOLLOW A PROCEDURE OF**
15 **ADDRESSING THE STRANDED COSTS AND CROSS-SUBSIDIZATION**
16 **ISSUES IN SEPARATE OR UNCOORDINATED PROCEEDINGS?**

17 **A. No.** As demonstrated above, all of the issues raised by the transition to
18 competition are inextricably intertwined. What is needed is a comprehensive
19 "competition transition proceeding" that deals with all relevant and interrelated
20 issues at once. A piecemeal approach simply will not do -- it will only result in
21 protracted litigation and unnecessary delays to full, fair, economically sound
22 competition.

23 **Q. WHAT MUST THIS "COMPETITION TRANSITION PROCEEDING" ENTAIL?**

24 **A.** The comprehensive proceeding must address together at least the following
25 issues:

1 1. Pricing Flexibility. The Commission must allow incumbent local exchange
2 carriers the pricing flexibility that is the cornerstone of competition.

3 2. Rate Rebalancing. The Commission must determine to what extent rates
4 should be rebalanced to reduce existing subsidies and have prices more
5 closely aligned with costs, including access charge restructuring.

6 3. Universal Service Support Fund. After determining the degree to which
7 residential rates should be rebalanced, the Commission must establish a
8 specific and predictable universal service support fund that covers the full
9 extent of any remaining subsidies required to support universal service.

10 4. Recovery of GTE's Stranded Historical Costs. The Commission must also
11 establish a mechanism to provide for the recovery of GTE's stranded
12 historical costs caused by the Commission's prior policies and the
13 termination of GTE's franchise.

14 5. Wholesale Prices for Interconnection, Network Elements, and Services.
15 Once the Commission has resolved these other issues, it will be in the
16 position to set prices for interconnection, network elements, and services.

17 Those prices must be set based on GTE's *own* actual costs, and it must
18 compensate GTE for all its costs, including those historical and subsidy
19 costs not otherwise recovered or eliminated.

20 **Q. WHEN SHOULD THIS COMPREHENSIVE PROCEEDING BEGIN?**

21 A. This comprehensive proceeding should be initiated immediately. The sooner
22 that a comprehensive proceeding is begun, the quicker full and fair competition
23 can be implemented in the markets for local exchange service. At a minimum,

1 interim mechanisms must be put in place that compensates GTE for the
2 stranded and subsidy costs that remain unrecovered pending a comprehensive
3 proceeding. It may be possible to establish interim mechanisms in a fairly short
4 period of time, followed by monitoring of market changes, further proceedings,
5 and workshops that would culminate in a different, longer-term combination of
6 cost recovery mechanisms. The critical point, however, is that it will simply not
7 be lawful for the Commission to establish the rates for interconnection and
8 unbundled network elements at prices based solely on forwarding-looking
9 TELRIC costs.

10 GTE pledges to cooperate fully with the expeditious completion of a
11 comprehensive proceeding. By the same token, however, GTE has no choice
12 but to challenge in court any attempt to allow new entrants to cream-skim off its
13 most high-valued customers (and high-margin services) without paying their fair
14 share of GTE's stranded historic costs and subsidy costs.

15 SECTION III

16 GTE's INTERIM COSTING AND PRICING PROPOSALS

17 **Q. DOES GTE HAVE AN INTERIM COSTING AND PRICING PROPOSAL?**

18 **A.** Yes. As an overview, the stated purpose of this proceeding is to establish cost-
19 based rates for GTE's network elements pursuant to section 252(d)(1)(A) of the
20 Act. As noted above, if considered in isolation, these rates must reflect all of
21 GTE's actual costs, including GTE's historical costs and the subsidy costs that
22 result from GTE's current imbalanced rate structure. GTE, however, recognizes
23 that the use of actual costs (that include stranded historical costs and subsidy

1 costs) may result in prices for unbundled network elements that are not
2 sustainable. Accordingly, GTE proposes that prices be based on GTE's forward-
3 looking direct and common costs as constrained by market alternatives, and that
4 the difference between the revenues derived from these prices and GTE's actual
5 costs be recovered through a non-bypassable competitive transition charge. If,
6 however, the Commission rejects this transition charge, it must set rates based
7 on GTE's actual costs, and the Commission and the State of Washington will be
8 liable for the difference between GTE's actual costs and the costs GTE recoups
9 in the marketplace .

10 The testimony submitted by other GTE witnesses describe in detail GTE's
11 TELRIC cost methodology proposals. In Phase 2 GTE will detail its proposal to
12 establish market-constrained prices for unbundled elements plus a competitive
13 transition charge² equal to the difference between the market-constrained prices
14 and GTE's actual costs³ and its alternative proposal to establish prices based
15 on GTE's actual costs in the event this Commission does not adopt a
16 competitive transition charge.

17 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

18 **A. Yes.**

² GTE advocated this approach in its arbitration and believes it should have been adopted. Any prices set by this Commission should reflect GTE's actual costs.

³This charge also could include any additional costs GTE incurs in providing unbundled elements that GTE will not recover in its rates (e.g., general implementation costs).

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ERRATA SHEET

ON

MEADE C. SEAMAN

DIRECT TESTIMONY

MARCH 27, 1997

JULY 9, 1997

GTE Witness Testimony
ERRATA

Witness	Original Testimony	Change To
<p>Meade C. Seaman, Direct Testimony (18 pages)</p>	<p>P. 1, l. 2-3 My business address is 600 Hidden Ridge, Irving, Texas 75038.</p> <p>P. 1, l. 5-6 I am employed as Director--Local Competition/ Interconnection Program Office for GTE Telephone Operations, which has telephone operations in 28 states.</p> <p>P. 2, l. 2-4 I was recently appointed to my current position as Director--Local Competition/Interconnection Program Management Office.</p>	<p>P. 1, l. 2-3 My business address is 500 East John Carpenter Freeway, Irving, Texas 75015.</p> <p>P. 1, l. 5-6 Q. BY WHOM ARE YOU EMPLOYED? A. I am employed as Regulatory & Governmental Affairs Vice President - Central for GTE.</p> <p>P. 2, l. 2-4 In March of 1996, I was appointed to the position of Director-- Local Competition/Interconnection Program Management Office, where I was involved in negotiating interconnection agreements with requesting carriers. I assumed my current position in May of 1997.</p>